

Dennis F. Dunne (admitted *pro hac vice*)  
Samuel A. Khalil (admitted *pro hac vice*)  
MILBANK LLP  
55 Hudson Yards  
New York, New York 10001-2163  
Telephone: (212) 530-5000  
Facsimile: (212) 530-5219

*and*

Paul S. Aronzon (SBN 88781)  
Gregory A. Bray (SBN 115367)  
Thomas R. Kreller (SBN 161922)  
MILBANK LLP  
2029 Century Park East, 33rd Floor  
Los Angeles, CA 90067  
Telephone: (424) 386-4000  
Facsimile: (213) 629-5063

*Proposed Counsel for the Official Committee  
of Unsecured Creditors*

**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION**

**In re:**

**PG&E CORPORATION**

**-and-**

**PACIFIC GAS AND ELECTRIC  
COMPANY,**

**Debtors.**

Case No. 19-30088 (DM)

Chapter 11

(Lead Case)

(Jointly Administered)

- ☐ Affects PG&E Corporation
- ☐ Affects Pacific Gas and Electric Company
- ☒ Affects both Debtors

*\* All papers shall be filed in the Lead Case,  
No. 19-30088 (DM)*

**LIMITED OBJECTION OF THE  
OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS TO  
CORRECTED MOTION OF DEBTORS  
PURSUANT TO 11 U.S.C. §§ 105(A), 363,  
AND 503(C) FOR ENTRY OF AN ORDER  
(I) APPROVING SHORT-TERM  
INCENTIVE PLAN AND (II) GRANTING  
RELATED RELIEF [DKT. NO. 806]**

Date: April 9, 2019

Time: 9:30 a.m. (Pacific Time)

Place: United States Bankruptcy Court  
Courtroom 17, 16th Floor  
San Francisco, CA 94102

1           The Official Committee of Unsecured Creditors (the “Committee”) appointed in  
2 the above-captioned chapter 11 cases of PG&E Corporation and Pacific Gas and Electric  
3 Company (together, the “Debtors”), by its proposed attorneys, Milbank LLP, hereby submits this  
4 limited objection (the “Limited Objection”) to the *Corrected Motion of Debtors Pursuant to 11*  
5 *U.S.C. §§ 105(a), 363, and 503(c) for Entry of an Order (I) Approving Short-Term Incentive*  
6 *Plan and (II) Granting Related Relief* [Dkt. No. 806] (the “Motion”).<sup>1</sup> In support of the Limited  
7 Objection, the Committee respectfully represents as follows:

8           1.       On January 29, 2019, the Debtors filed petitions for relief under chapter 11  
9 of the Bankruptcy Code.

10           2.       On February 12, 2019, the U.S. Trustee appointed and formed the  
11 Committee.

12           3.       The Debtors filed the Motion on March 8, 2019, seeking approval of a  
13 short-term incentive plan for 2019 (the “STIP”) for approximately 10,000 rank-and-file  
14 employees. The Motion states that the target cost of the STIP is \$235 million, with potential  
15 maximum cost of approximately \$350 million. The STIP also appears to contain a number of  
16 significant changes from the prior year’s short-term incentive plan.

17           4.       The Committee’s diligence on the STIP is ongoing. Although the  
18 Committee’s proposed advisors began requesting information from the Debtors almost  
19 immediately after the Motion was filed, the Debtors’ advisors did not deliver much of the  
20 information requested until very recently and did not authorize delivery of any of that  
21 information to the actual Committee members until even more recently. Accordingly, as a result  
22 of the Debtors’ delay in producing the requested information, the Committee reserves the right to  
23 supplement this Limited Objection based upon further work it will continue to do, as well as any  
24 additional discussions the Committee may have with the Debtors regarding the terms of the  
25 STIP.

26  
27  
28           <sup>1</sup> Capitalized terms not defined herein have the meanings ascribed to them in the Motion.

1                   5.       In particular, the Committee continues to evaluate the safety performance  
2 metrics in the proposed STIP. Given the Debtors' history on various safety issues, the STIP  
3 should reflect "best in class" safety metrics designed to send a loud and clear message of the  
4 Debtors' stated intent to prioritize safety throughout its operations.

5                   6.       That said, based upon its work to date, the Committee has reached several  
6 conclusions regarding the STIP.

7                   7.       As a threshold matter, the Committee supports a market-based, employee  
8 incentive program that appropriately motivates non-insider employees to perform their  
9 responsibilities in ways that serve the best interests of the Debtors' business. In these cases,  
10 those interests include both operating performance and appropriate and effective safety  
11 programs. Maintaining a properly motivated and compensated workforce is a value-maximizing  
12 proposition that will inure to the benefit of the Debtors' estates and all of their stakeholders.

13                  8.       Thus, from the Committee's perspective, the question is not whether a  
14 short-term incentive plan should be implemented at all, but whether the STIP the Debtors have  
15 proposed is properly constructed. While the Committee does not take issue with the aggregate  
16 dollars associated with the proposed STIP, the Committee does believe that the STIP, as  
17 proposed, needs to be adjusted in a number of respects if it is to function as intended.

18                  9.       First, the Committee has concerns regarding the change to the STIP  
19 compared to prior years which provides for measuring metrics and making payments, inclusive  
20 of the value from the discontinued long-term incentive plan ("LTIP") program and Individual  
21 Performance Modifier, more frequently than annually. The incremental LTIP value included in  
22 the STIP for senior-level employees would historically have been part of the LTIP program that  
23 was granted on an *annual* basis, vested over time and payable in equity. It is not clear to the  
24 Committee that the timing of these grants should be changed in this manner, and the same is true  
25 for the timing related to the Individual Performance Modifier component of the STIP for top  
26 performers.

27                  10.      Second, another STIP change from prior years is the inclusion of specific  
28 wildfire reduction measures from the Debtors' 2019 Wildfire Safety Plan in the STIP's Public

1 Safety Index, which accounts for 10% of the STIP weighting. The California Public Utilities  
2 Commission (“CPUC”) has not ruled on the adoption of the measures contained in that plan. As  
3 such, should the CPUC require those measures to be more stringent, the Committee requests that  
4 the Public Safety Index reflect those changes.

5 11. Third, the threshold and maximum targets of the Earnings from  
6 Operations financial performance metric are 95% and 105%, respectively. The Committee  
7 continues to review the propriety of these bands, including a review of analogous metrics used  
8 by comparable companies.

9 12. Fourth, the payment of STIP awards currently does not provide for any  
10 notice period for the Committee to review the calculations underlying the STIP scorecard,  
11 including any adjustments for items impacting comparability. The Committee has therefore  
12 requested seven (7) business days’ notice prior to the payment of any STIP award.

13 13. Finally, the Committee understands that the Debtors intend to implement  
14 additional key employee incentive or retention plans in the future. The Debtors have advised the  
15 Committee that they do not believe there will be any material overlap between the STIP and any  
16 other future plans, but the Committee reserves its right to review and analyze those plans at such  
17 time as they are proposed in order to ensure there is no inappropriate duplication.

18 14. Based on the foregoing, the Committee respectfully requests that the Court  
19 refrain from granting the relief requested in the Motion until such time that the Debtors agree to  
20 satisfactorily address the Committee’s concerns. The Committee further reserves the right to  
21 supplement this Limited Objection on any grounds.

22 DATED: March 28, 2019

MILBANK LLP

/s/ Dennis F. Dunne

DENNIS F. DUNNE

SAMUEL A. KHALIL

PAUL S. ARONZON

GREGORY A. BRAY

THOMAS R. KRELLER

*Proposed Counsel for the Official Committee of  
Unsecured Creditors*